

CITY OF TURLOCK

Audit Report

ANIMAL ADOPTION PROGRAM

Chapter 752, Statutes of 1998,
and Chapter 313, Statutes of 2004

July 1, 1998, through June 30, 2006



JOHN CHIANG
California State Controller

January 2009



JOHN CHIANG
California State Controller

January 30, 2009

The Honorable John Lazar
Mayor of the City of Turlock
156 S Broadway
Turlock, CA 95380

Dear Mayor Lazar:

The State Controller's Office audited the costs claimed by the City of Turlock for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2006.

The city claimed \$1,846,424 for the mandated program. Our audit disclosed that \$89,634 is allowable and \$1,756,790 is unallowable. The costs were unallowable because the city claimed unsupported costs. These costs were supported only with year-end estimates. The State paid the city \$1,268,412. The amount paid exceeds allowable costs claimed by \$1,178,778.

If the city performs a valid time study for unsupported salaries and benefits that is consistent with parameters and guidelines language and projects the results to the audit period, we will review the results and revise the final report as appropriate.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Sheila Cumberland, Administrative Services Director
City of Turlock
Glena Jackson, Animal Services Supervisor
Turlock Police Department
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

Contents

Audit Report

| | |
|---|----------|
| Summary | 1 |
| Background | 1 |
| Objective, Scope, and Methodology | 1 |
| Conclusion | 2 |
| Views of Responsible Official | 3 |
| Restricted Use | 3 |
| Schedule 1—Summary of Program Costs..... | 4 |
| Findings and Recommendations | 7 |
| Attachment—City’s Response to Draft Audit Report | |

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Turlock for the legislatively mandated Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 1998, through June 30, 2006.

The city claimed \$1,846,424 for the mandated program. Our audit disclosed that \$89,634 is allowable and \$1,756,790 is unallowable. The costs were unallowable because the city claimed unsupported costs. These costs were supported only with year-end estimates. The State paid the city \$1,268,412. The amount paid exceeds allowable costs claimed by \$1,178,778.

Background

Food and Agriculture Code sections 31108, 31752-31753, 32001, and 32003 (added and amended by Chapter 752, Statutes of 1998) attempted to end the euthanasia of adoptable and treatable animals. It expressly identifies the state policy that "no adoptable animal should be euthanized if it can be adopted into a suitable home" and that "no treatable animal should be euthanized." The legislation increases the holding period for stray and abandoned dogs, cats, and other specified animals. It also requires:

- Verification of the temperament of feral cats;
- Posting of lost and found lists;
- Maintenance of records for impounded animals; and
- Impounded animals to receive "necessary and prompt veterinary care."

On January 25, 1981, the Commission on State Mandates (CSM) determined that Chapter 752, Statutes of 1998, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on February 28, 2002, corrected them on March 20, 2002, and last amended them on January 26, 2006. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

For fiscal year (FY) 2003-04, the Legislature suspended the Animal Adoption Program.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Animal Adoption Program, for the period of July 1, 1998, through June 30, 2006.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the city's internal controls to gain an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City of Turlock claimed \$1,846,424 for costs of the Animal Adoption Program. Our audit disclosed that \$89,634 is allowable and \$1,756,790 is unallowable.

For the FY 1998-99 claim, the State paid the city \$38,904. Our audit disclosed that the entire amount is unallowable. The State will offset \$38,904 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 1999-2000 claim, the State paid the city \$130,724. Our audit disclosed that the entire amount is unallowable. The State will offset \$130,724 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2000-01 claim, the State paid the city \$123,105. Our audit disclosed that the entire amount is unallowable. The State will offset \$123,105 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2001-02 claim, the State made no payment to the city. Our audit disclosed that \$10 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$10, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city. Our audit disclosed that \$3 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$3, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the city \$629,308. Our audit disclosed that \$79,931 is allowable. The State will offset \$549,377 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2005-06 claim, the State paid the city \$346,371. Our audit disclosed that \$9,690 is allowable. The State will offset \$336,681 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on October 22, 2008. Sheila Cumberland, Administrative Services Director, responded by letter dated November 13, 2008 (Attachment), disagreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of Turlock, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

January 30, 2009

Schedule 1— Summary of Program Costs July 1, 1998, through June 30, 2006 ¹

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ² |
|--|-------------------------|------------------------|---------------------|------------------------|
| <u>July 1, 1998, through June 30, 1999</u> | | | | |
| Direct costs: | | | | |
| Salaries | \$ 18,223 | \$ — | \$ (18,223) | Finding 1 |
| Benefits | 8,237 | — | (8,237) | Finding 1 |
| Total direct costs | 26,460 | — | (26,460) | |
| Indirect costs | 12,444 | — | (12,444) | Finding 4 |
| Total program costs | <u>\$ 38,904</u> | — | <u>\$ (38,904)</u> | |
| Less amount paid by the State | | (38,904) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (38,904)</u> | | |
| <u>July 1, 1999, through June 30, 2000</u> | | | | |
| Direct costs: | | | | |
| Salaries | \$ 24,625 | \$ — | \$ (24,625) | Finding 1 |
| Benefits | 9,948 | — | (9,948) | Finding 1 |
| Materials and supplies | 77,817 | — | (77,817) | Finding 2 |
| Total direct costs | 112,390 | — | (112,390) | |
| Indirect costs | 18,334 | — | (18,334) | Finding 4 |
| Total program costs | <u>\$ 130,724</u> | — | <u>\$ (130,724)</u> | |
| Less amount paid by the State | | (130,724) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (130,724)</u> | | |
| <u>July 1, 2000, through June 30, 2001</u> | | | | |
| Direct costs: | | | | |
| Salaries | \$ 23,099 | \$ — | \$ (23,099) | Finding 1 |
| Benefits | 9,494 | — | (9,494) | Finding 1 |
| Materials and supplies | 77,240 | — | (77,240) | Finding 2 |
| Total direct costs | 109,833 | — | (109,833) | |
| Indirect costs | 13,272 | — | (13,272) | Finding 4 |
| Total program costs | <u>\$ 123,105</u> | — | <u>\$ (123,105)</u> | |
| Less amount paid by the State | | (123,105) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (123,105)</u> | | |
| <u>July 1, 2001, through June 30, 2002</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 162,148 | \$ — | \$ (162,148) | Finding 1 |
| Materials and supplies | 160,000 | — | (160,000) | Finding 2 |
| Contract services | 10 | 10 | — | |
| Total direct costs | 322,158 | 10 | (322,148) | |
| Indirect costs | — | — | — | |
| Total program costs | <u>\$ 322,158</u> | 10 | <u>\$ (322,148)</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 10</u> | | |

Schedule 1 (continued)

| Cost Elements | Actual Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ² |
|--|-------------------------|------------------------|-----------------------|------------------------|
| <u>July 1, 2002, through June 30, 2003</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 136,447 | \$ — | \$ (136,447) | Finding 1 |
| Materials and supplies | 119,404 | — | (119,404) | Finding 2 |
| Contract services | 3 | 3 | — | |
| Total direct costs | 255,854 | 3 | (255,851) | |
| Indirect costs | — | — | — | |
| Total program costs | <u>\$ 255,854</u> | 3 | <u>\$ (255,851)</u> | |
| Less amount paid by the State | | — | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ 3</u> | | |
| <u>July 1, 2004, through June 30, 2005</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 312,309 | \$ — | \$ (312,309) | Finding 1 |
| Materials and supplies | 67,527 | — | (67,527) | Finding 2 |
| Contract services | 249,472 | 79,931 | (169,541) | Finding 3 |
| Total direct costs | 629,308 | 79,931 | (549,377) | |
| Indirect costs | — | — | — | |
| Total program costs | <u>\$ 629,308</u> | 79,931 | <u>\$ (549,377)</u> | |
| Less amount paid by the State | | (629,308) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (549,377)</u> | | |
| <u>July 1, 2005, through June 30, 2006</u> | | | | |
| Direct costs: | | | | |
| Salaries | \$ 203,133 | \$ — | \$ (203,133) | Finding 1 |
| Benefits | 3,427 | — | (3,427) | Finding 1 |
| Materials and supplies | 38,311 | — | (38,311) | Finding 2 |
| Contract services | 98,282 | 9,690 | (88,592) | Finding 3 |
| Total direct costs | 343,153 | 9,690 | (333,463) | |
| Indirect costs | 3,218 | — | (3,218) | Finding 4 |
| Total program costs | <u>\$ 346,371</u> | 9,690 | <u>\$ (336,681)</u> | |
| Less amount paid by the State | | (346,371) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (336,681)</u> | | |
| <u>Summary: July 1, 1998, through June 30, 2006</u> | | | | |
| Direct costs: | | | | |
| Salaries | \$ 879,984 | \$ — | \$ (879,984) | |
| Benefits | 31,106 | — | (31,106) | |
| Materials and supplies | 540,299 | — | (540,299) | |
| Contract services | 347,767 | 89,634 | (258,133) | |
| Total direct costs | 1,799,156 | 89,634 | (1,709,522) | |
| Indirect costs | 47,268 | — | (47,268) | |
| Total program costs | <u>\$ 1,846,424</u> | 89,634 | <u>\$ (1,756,790)</u> | |
| Less amount paid by the State | | (1,268,412) | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (1,178,778)</u> | | |

¹ The Legislature suspended the Animal Adoption Program for FY 2003-04.

² See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported salaries and benefits

The city claimed \$911,090 in salaries and benefits for the audit period. The entire costs are unallowable.

The city only provided unsigned and undated annual forms prepared at the end of each fiscal year that estimated the time spent annually on reimbursable activities. The city completed the estimated annual time for fiscal year (FY) 1998-99 through FY 2000-01 in August 2002, and for FY 2001-02, FY 2002-03, FY 2004-05, and FY 2005-06 in December following the end of each fiscal year. The city's mandate consultant provided the city with the forms and requested that they be completed within 30 days. The city did not provide any source documentation to support the actual employee time spent on mandated activities.

During the audit, we discussed the inadequate documentation with the city and its option of performing a time study consistent with the program's parameters and guidelines language to substantiate the unsupported salaries and benefits. The city provided us with a copy of the time study plan. We reviewed and commented on it. Consistent with parameters and guidelines, the time study will be completed in one year. We agreed to review the results of the time study and revise the final audit report, as appropriate.

The program's parameters and guidelines require the claimant to trace claimed costs to source documents that show evidence of and the validity of such costs.

The parameters and guidelines state that the time study should be developed using, at a minimum, one represented month each quarter and should be supported with actual source documents.

The following table summarizes the unallowable salaries and benefits:

| | Fiscal Year | | | | | | | |
|--------------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2004-05 | 2005-06 | Total |
| Salaries and benefits | <u>\$ (26,460)</u> | <u>\$ (34,573)</u> | <u>\$ (32,593)</u> | <u>\$ (162,148)</u> | <u>\$ (136,447)</u> | <u>\$ (312,309)</u> | <u>\$ (206,560)</u> | <u>\$ (911,090)</u> |
| Audit adjustment | <u>\$ (26,460)</u> | <u>\$ (34,573)</u> | <u>\$ (32,593)</u> | <u>\$ (162,148)</u> | <u>\$ (136,447)</u> | <u>\$ (312,309)</u> | <u>\$ (206,560)</u> | <u>\$ (911,090)</u> |

Recommendation

We recommend the city maintain source documents that support the actual time employees spend to perform mandate-related activities.

City's Response

The original parameters and guidelines for the Animal Adoption claim came out in 2001, several years after the mandate was in place and the City was required to follow this mandate. Since the parameters and guidelines were not out in 1998, the City did each mandated activity required even though it did not know which mandated activity would ultimately be reimbursed. The City based its claims on the amount of time that it took to perform various mandated activities based on the

parameters and guidelines provided in 2001. At no time was the City told that it had to track time by a stop watch and then record that time for each task starting in 1998. For over five years, the State Controller's office received these claims and at no time did they question the tracking of time nor the methodology at which these times were calculated.

We are performing a valid time study for unsupported salaries and benefits that is consistent with parameters and guidelines language and projects the results to the audit period. At the time the State Controller's Office personnel was on-site for this audit, it was agreed that the State Controller will review the results and revise the final report as appropriate.

SCO's Comment

Our finding and recommendation remain unchanged. The city did not provide any additional documentation to refute the audit finding.

The fact that the parameters and guidelines were not adopted until 2001 does not relieve the city from supporting mandate-related activities. The parameters and guidelines specifically state that only actual costs which are supported by source documents that show evidence of and validity of such costs will be reimbursed. The city's claimed costs were not supported.

We agree that the city does not have to track time by a stop-watch and then record that time for each task starting in 1998.

During the audit, we did agree to revise the final audit report as appropriate if the city performs a valid time study for unsupported salaries and benefits that is consistent with the parameters and guidelines language and projects the results to the audit period.

FINDING 2— Unsupported materials and supplies

The city claimed \$540,299 in materials and supplies for the audit period. The entire costs are unallowable.

The filed claims only showed an annual dollar amount by fiscal year. The city provided no documentation detailing the claimed amounts and no support for any of the costs.

The parameters and guidelines require the claimant to trace claimed costs to source documents that show evidence of and the validity of such costs.

The parameters and guidelines state that the time study should be developed using, at a minimum, one represented month each quarter and should be supported with actual source documents.

The following table summarizes the unallowable materials and supplies:

| | Fiscal Year | | | | | | |
|------------------------|--------------------|--------------------|---------------------|---------------------|--------------------|--------------------|---------------------|
| | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2004-05 | 2005-06 | Total |
| Materials and supplies | <u>\$ (77,817)</u> | <u>\$ (77,240)</u> | <u>\$ (160,000)</u> | <u>\$ (119,404)</u> | <u>\$ (67,527)</u> | <u>\$ (38,311)</u> | <u>\$ (540,299)</u> |
| Audit Adjustment | <u>\$ (77,817)</u> | <u>\$ (77,240)</u> | <u>\$ (160,000)</u> | <u>\$ (119,404)</u> | <u>\$ (67,527)</u> | <u>\$ (38,311)</u> | <u>\$ (540,299)</u> |

Recommendation

We recommend the city maintain source documents that support mandate-related materials and supplies.

City's Response

The amounts on each claim for materials and supplies underneath the cost category "Care of Dogs and Cats" includes not only the materials and supplies expended for the care of dogs and cats but also the time involved. This cost category is included in the time study the City is currently doing. Once the study is complete and the salaries and benefits portion determined, the amount remaining for non-salaries/benefits can be determined.

Attached to this letter are two invoices: one from Animal Care Center for \$4,600 for stainless steel cat cages and one from Dell Computers for \$1,167.67. These invoices support the amounts in the materials and supplies in the 1998-99 (Animal Care Center) and 1999-2000 (Dell Computers) claims which are not part of the cost of care for dogs and cats.

At the time the State Controller's Office personnel was on-site for this audit, it was agreed that the "materials and supplies" amounts would be revisited when the time study is complete to determine the portion of the amount listed on the claim which represents salaries and benefits and that which represents materials and supplies.

SCO's Comment

Our finding and recommendation remain unchanged. The city did not provide any additional documentation to refute the audit finding. We previously reviewed the two additional invoices attached to the city's response during the fieldwork phase of the audit. We agreed with the city that a time study would be necessary to determine the reimbursable portion of materials and supplies. As noted in Finding 1, we will revise the final report, as appropriate, upon completion of the time study.

FINDING 3— Overstated contract services

The city claimed \$258,133 in unallowable contract services for FY 2004-05 and FY 2005-06.

The city did not accurately report animal census data and square footage of the animal shelter when calculating the pro rata percentage share of costs for acquisition of additional facilities. We determined the annual census data from the city's Animal Services Yearly Report and the square footage of animal shelter from the city Planning Department's Animal Control Site Plan.

The parameters and guidelines require the claimant to trace claimed costs to source documents that show evidence of and the validity of such costs.

The parameters and guidelines also state that the claimant must support the level of costs claimed and that the claimant will be reimbursed only for the increased costs incurred.

The following table summarizes the overstated contract services:

| | Fiscal Year | | Total |
|---------------------|--------------|-------------|--------------|
| | 2004-05 | 2005-06 | |
| Contracted services | \$ (169,541) | \$ (88,592) | \$ (258,133) |
| Audit adjustment | \$ (169,541) | \$ (88,592) | \$ (258,133) |

Recommendation

We recommend that the city ensure that all claimed costs are supported by appropriate documentation.

City's Response

The information the SCO auditor obtained regarding the square footage for the animal control facility appears to be incorrect. We were not able to determine with whom the auditor spoke. Because the map provided to the SCO auditor states "Animal Control Site Plan" on the bottom, it appears to be from a project planning document and not from the final project. The City's Engineering Division, who oversaw the animal control facility expansion project, provided the attached square footage depiction of the facility both before and after the project. The following are the differences.

1 – The building which the site plan indicates has 2,036 square feet is actually 60' x 36' modular building (2,160 total square feet). This is a new building at the facility.

2 – The building which the site plan indicates has 667 square feet is a new kennel area. The 667 square feet only takes into account the internal (covered) portion of the kennels. The external portion of the kennels adds 788 square feet of additional kennel space.

3 – The building which the site plan indicates is 1,236 square feet is part of the original building, but again does not include that portion of the kennels that are outside the covered building (490 square feet and 288 square feet areas).

4 – The building which the site plan indicates is 955 square feet is not City-owned property. The non-City owned organization owning this property does provide services to the Animal Control facility, but is separately owned and operated. Therefore, this building should not be included in either the pre- or post- construction square footage calculations.

Taking into account all the above changes, results in the square footage of the facility prior to expansion of 2,044. The total square footage after construction should be 5,659.

The 1998 daily census information should also be corrected. The average daily census for dogs/cats should be 8 and the average daily census for all other animals should be 2 bringing the total average daily census to 10 – not 16.

SCO's Comment

Based on the city's comments and the additional documentation provided, we revised our finding for contract services. We agreed with the city's stated square footage and animal census data. Consequently, unallowable contract services for FY 2005-06 decreased by \$2,768, from \$99,360 to \$88,592.

**FINDING 4—
Unallowable indirect
cost rate**

The city overstated indirect costs by \$47,268.

The city allocation base was salaries and benefits. Since the total allocation base of salaries and benefits is unallowable, the related indirect costs are also unallowable.

In filing the claims, the city did not use the indirect cost rates supported by its indirect cost rate proposals (ICRPs) for FY 1999-2000, FY 2000-01, and FY 2005-06. The ICRPs for FY 1999-2000, FY 2000-01, and FY 2005-06 supported rates of 51.61%, 40.37%, and 20.08%, respectively. However, for those years, the city claimed 51.54%, 40.72%, and 1.56%. The city used the supported indirect cost rate for FY 1998-99 and claimed no indirect costs for FY 2001-02, FY 2002-03, and FY 2004-05. This information does not affect reimbursable costs as the city did not support any of the claimed salaries and benefits.

The parameters and guidelines require the claimant to trace claimed costs to source documents that show evidence of and the validity of such costs.

The following table summarizes the overstated indirect costs:

| | Fiscal Year | | | | Total |
|------------------|-------------|-------------|-------------|------------|-------------|
| | 1998-99 | 1999-2000 | 2000-01 | 2005-06 | |
| Indirect costs | \$ (12,444) | \$ (18,334) | \$ (13,272) | \$ (3,218) | \$ (47,268) |
| Audit adjustment | \$ (12,444) | \$ (18,334) | \$ (13,272) | \$ (3,218) | \$ (47,268) |

Recommendation

We recommend that the city ensure that all claimed costs are supported by appropriate documentation.

City's Response

For Fiscal Years 2001/02, 2002/03, and 2004/05 the City did not claim indirect costs because it was included in the fully-burdened hourly rates. For Fiscal Years 1998/99, 1999/00, 2000/01 the salaries were not fully-burdened hourly rates, so therefore, indirect rates were used. In Fiscal Year 2005/06 the Kennel Attendant's salary was not a fully-burdened hourly rate and therefore indirect rates were used for this salary only.

We do not agree with the findings that indirect costs are not allowed based on unsupported salaries and benefits. We contend that the times claimed are reasonable and should be allowed.

We are performing a valid time study for unsupported salaries and benefits that is consistent with parameters and guidelines language and projects the results to the audit period. At the time the State Controller's Office personnel was on-site for this audit, it was agreed that the State Controller will review the results and revise the final report as appropriate.

SCO's Comment

Our finding and recommendation remain unchanged. The city did not provide any additional documentation to refute the audit finding.

The adjustment made for indirect costs relates to unallowable salaries and benefits identified in Finding 1.

Also, as noted in Finding 1, we will revise the final audit report as appropriate upon completion of the time study.

City's Request— SCO review of first- quarter time study

The city's response also addressed the following request. The SCO's comment immediately follows the city's response.

City's Response

The city requested that the SCO review the first quarter of its time studies and indicate whether the times are allowed and whether the city is performing the time study according to the SCO's specifications.

SCO's Comments

The SCO will review the city's time study for the first quarter to ensure its accuracy and validity and to minimize any concerns upon its completion.

**Attachment—
City's Response to
Draft Audit Report**



SHEILA CUMBERLAND
ADMINISTRATIVE SERVICES DIRECTOR
scumberland@turlock.ca.us

FINANCE
HUMAN RESOURCES
INFORMATION TECHNOLOGY

156 S. BROADWAY, SUITE 230 | TURLOCK, CALIFORNIA 95380 | PHONE 209-668-5542 EXT 1104 | FAX 209-668-5668

November 13, 2008

Jim L. Spano, Chief
Mandated Cost Audits Bureau
California State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

Following is the response by the City of Turlock to the State Controller's Office audit of costs claimed for the Animal Adoption mandate for the period of July 1, 1998 through June 30, 2006.

Finding 1 – Unsupported salaries and benefits

The original parameters and guidelines for the Animal Adoption claim came out in 2001, several years after the mandate was in place and the City was required to follow this mandate. Since the parameters and guidelines were not out in 1998, the City did each mandated activity required even though it did not know which mandated activity would ultimately be reimbursed. The City based its claims on the amount of time that it took to perform various mandated activities based on the parameters and guidelines provided in 2001. At no time was the City told that it had to track time by a stop watch and then record that time for each task starting in 1998. For over five years, the State Controller's Office received these claims and at no time did they question the tracking of time nor the methodology at which these times were calculated.

We are performing a valid time study for unsupported salaries and benefits that is consistent with parameters and guidelines language and projects the results to the audit period. At the time the State Controller's Office personnel was on-site for this audit, it was agreed that the State Controller will review the results and revise the final report as appropriate.

Finding 2 – Unsupported materials and supplies

The amounts on each claim for materials and supplies underneath the cost category "Care of Dogs and Cats" includes not only the materials and supplies expended for the care of dogs and cats but also the time involved. This cost category is included in the time study the City is currently doing. Once the study is complete and the salaries and benefits portion determined, the amount remaining for non-salaries/benefits can be determined.

Attached to this letter are two invoices: one from Animal Care Center for \$4,600 for stainless steel cat cages and one from Dell Computers for \$1,167.67. These invoices

support the amounts in the materials and supplies in the 1998-99 (Animal Care Center) and 1999-2000 (Dell Computers) claims which are not part of the cost of care for dogs and cats.

At the time the State Controller's Office personnel was on-site for this audit, it was agreed that the "materials and supplies" amounts would be revisited when the time study is complete to determine the portion of the amount listed on the claim which represents salaries and benefits and that which represents materials and supplies.

Finding 3 – Overstated contract services

The information the SCO auditor obtained regarding the square footage for the animal control facility appears to be incorrect. We were not able to determine with whom the auditor spoke. Because the map provided to the SCO auditor states "Animal Control Site Plan" on the bottom, it appears to be from a project planning document and not from the final project. The City's Engineering Division, who oversaw the animal control facility expansion project, provided the attached square footage depiction of the facility, both before and after the project. The following are the differences.

1 – The building which the site plan indicates has 2,036 square feet is actually a 60' x 36' modular building (2,160 total square feet). This is a new building at the facility.

2 – The building which the site plan indicates has 667 square feet is a new kennel area. The 667 square feet only takes into account the internal (covered) portion of the kennels. The external portion of the kennels adds 788 square feet of additional kennel space.

3 – The building which the site plan indicates is 1,236 square feet is part of the original building, but again does not include that portion of the kennels that are outside the covered building (490 square feet and 288 square feet areas).

4 – The building which the site plan indicates is 955 square feet is not City-owned property. The non-City owned organization owning this property does provide services to the Animal Control facility, but is separately owned and operated. Therefore, this building should not be included in either the pre- or post- construction square footage calculations.

Taking into account all the above changes, results in the square footage of the facility prior to expansion of 2,044. The total square footage after construction should be 5,659.

The 1998 daily census information should also be corrected. The average daily census for dogs/cats should be 8 and the average daily census for all other animals should be 2 bringing the total average daily census to 10 – not 16.

Finding 4 – Unallowable indirect cost rate

For Fiscal Years 2001/02, 2002/03, and 2004/05 the City did not claim indirect costs because it was included in the fully-burdened hourly rates. For Fiscal Years 1998/99, 1999/00, 2000/01 the salaries were not fully-burdened hourly rates, so therefore, indirect rates were used. In Fiscal Year 2005/06 the Kennel Attendant's salary was not a fully-burdened hourly rate and therefore indirect rates were used for this salary only.

We do not agree with the findings that indirect costs are not allowed based on unsupported salaries and benefits. We contend that the times claimed are reasonable and should be allowed.

We are performing a valid time study for unsupported salaries and benefits that is consistent with parameters and guidelines language and projects the results to the audit period. At the time the State Controller's Office personnel was on-site for this audit, it was agreed that the State Controller will review the results and revise the final report as appropriate.

Summary

Although the City disagrees with the audit findings, we appreciate the opportunity to perform a time study to recapture the amount of time that was disallowed for mandated activities. We are, however, concerned about the amount of time and effort that will go into performing this time study, without any assurance from the Controller's Office that once completed it will be applied to each claim year. We again request that the Controller's Office review the first quarter of time studies and indicate if the times are allowed and the City is performing this time study to the Controller's specification. We do not want to go through one year of time studies just to be told that the times are not allowed and the time study was not done accurately.

We look forward to your response on the time study and wish to work with the State Controller's Office to arrive at a reasonable resolution to these Animal Adoption claims.


Sheila Cumberland
Administrative Services Director



ANIMAL CARE CENTER

16025 Vineyard Blvd. • Morgan Hill, CA 95037
(408) 779-4010

"Progressive medicine from people who care about your pet"

July 20, 1999

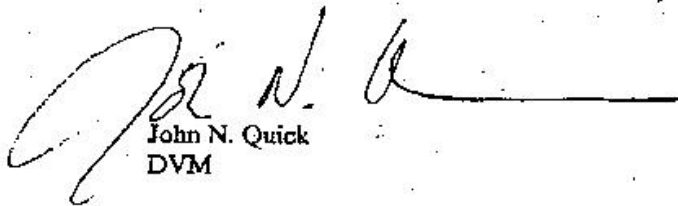
City of Turlock
Accounts Payable
156 S. Broadway
Suite 112
Turlock, CA 95381

Attention: Accounts Payable

Invoice #1122

20 24 x 24 Stainless Steel Cages @ \$230.00 each

Total Due: \$4,600.00 (price includes tax)


John N. Quick
DVM

Aug-23-02 12:12P

7/7/00
P.10

CITY OF TURLOCK

PURCHASE ORDER

ite 7/20/99
B DESTINATION
ma NET 30
livery Due Date 7/30/99

PURCHASE
ORDER NO. **000728**
CHECK NO.

ANIMAL CARE CENTER
18025 VINEYARD BLVD
MORGAN HILL, CA 95037

99/00

PA

| Quantity | Unit | Description |
|----------|------|--|
| 20 | EA | 24 W X 24 H STAINLESS STEEL CAT CAGES (PRICE INCLUDES SALES TAX AND HARD ATTN: SHERRY QUICK (408) 779-4010 |

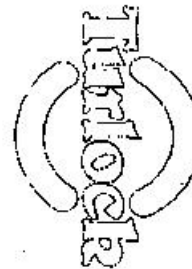
SPECIAL DELIVERY INSTRUCTION: TURL
ANIMAL CONTROL WILL MAKE ARRANGEME
PICKUP THE ABOVE CAGES.

REQUESTOR: LANI SMITH #600 (P) POL

110/0423-003-001 SUPPLIES

PAY TO
THE
ORDER OF
MORGAN HILL, CA 95037

DATE
7/20/99



CITY OF TURLOCK, CALIFORNIA
156 E. BROADWAY STE. 112
TURLOCK, CA 95380
U70006

AMOUNT
\$4,600.00

VOID AFTER 180 DAYS
TWO SIGNATURES REQUIRED OVER \$10,000.

NOT NEGOTIABLE

Freight

GRAND TOTAL \$ 4,600.00

CERTIFICATION AND APPROVAL OF PURCHASE ORDER

I hereby certify on my own personal knowledge that this order for the purchase of the items specified
was issued in accordance with the procedure prescribed by law governing such items for the City
of Turlock and that all such legal requirements have been fully complied with.

PROCHASING
ENT

FINANCE OFFICE IS AUTHORIZED TO
PAY THE ABOVE AMOUNT. OTHER
INSTRUCTIONS, IF ANY, ARE ATTACHED.

ALL DUPLICATES AND/OR SIGNATURES APPROPRIATE
ON THIS FORM HAVE BEEN RECEIVED IN
SATISFACTORY CONDITION.

REPT. HEAD OR AUTH. HAND SIGN

Lani Smith

Lani Sma

Aug-26-02 10:53A

Animal Control 00/0

P.02



This is your **ACKNOWLEDGMENT**

Page: 1 of 2

FID Number: 74-261805
 Sales Rep: MICHELLE SHARPBACK
 For Sales: (800)274-7799
 Sales Fax: (800)433-8527
 Customer Service: (800)861-3355
 Technical Support: (800)881-3355
 Dell Online: <http://www.dell.com>

Customer Number: 011230706
 Purchase Order: LEWISIANA
 Order Date: 04/08/01
 84 01 V 01 01 N

Invoice Number: **553753104**
 Invoice Date: 04/06/01
 Payment Terms: VISA
 Shipped Via:
 Waybill Number: 015671104026734

SOLD TO: 21.1.8114 1 AB 0.278 82267S11.XRX 1 of 2

PAYABLE ACCOUNTS
 CITY OF TURLOCK
 STE 110
 156 SOUTH BROADWAY
 TURLOCK CA 95380-5454

SHIP TO:
 JANE MOONEYHAM
 CITY OF TURLOCK
 STE 116
 156 SOUTH BROADWAY
 TURLOCK CA 95380-5454

2000/01



PLEASE SEE IMPORTANT TERMS & CONDITIONS ON THE REVERSE SIDE OF THIS INVOICE

| Order | Shipped | Item Number | Description | Unit | Unit Price | Amount |
|-------|---------|-------------|---|------|------------|----------|
| 2 | 2 | 220-6457 | Dell PIII 933 GX110 Medium Desktop, 133MHz FSB, 4MB Int Vid Int 10/100 NIC w/RWU, Sound 256K Cache | EA | 805.00 | 1,610.00 |
| 2 | 2 | 310-3552 | Quietkey Spacesaver 104-key Keyboard, GX100/110/115 | EA | 0.00 | 0.00 |
| 2 | 2 | 310-3556 | Microsoft Intellimouse (PS/2) GX100/110/115 | EA | 27.00 | 54.00 |
| 2 | 2 | 311-2540 | 256MB, NonECC, 100MHz SDRAM, 1DIMM, GX100/110, Factory Install | EA | 139.00 | 278.00 |
| 2 | 2 | 313-6595 | 20/48X CD-ROM, GX110 Mid-Desktop and MiniTower | EA | 36.00 | 72.00 |
| 2 | 2 | 313-7168 | OptiPlex Resource CD | EA | 0.00 | 0.00 |
| 2 | 2 | 313-8066 | Integrated Sound Blaster, Compatible with AC97 Audio | EA | 0.00 | 0.00 |
| 2 | 2 | 313-8085 | Dell OptiPlex No Optical Device, Factory Install | EA | 0.00 | 0.00 |
| 2 | 2 | 320-3704 | No Monitor Selected | EA | 0.00 | 0.00 |
| 2 | 2 | 320-3920 | No Video Card Option for OptiPlex, Factory Install | EA | 0.00 | 0.00 |
| 2 | 2 | 340-3211 | 20GB, 7200 RPM, EIDE, GX110/GX200/GX300 MiniTower | EA | 27.00 | 54.00 |

Shevonda Scrawte - # 172/468.03.09 # 1167.68

→ Animal Control - # 196/496.07.09 # 1167.67 ←

Invoice contract may be subject to sales tax
 y on site or other service covers Dell system hardware only.
 ASE KEEP ORIGINAL BOX FOR ALL RETURNS. COMPREHENSIVE LIMITED WARRANTY CAN
 ORIMATION AND ASSISTANCE IS A CLICK AWAY AT WWW
 OVER A VARIETY OF QUESTIONS REGARDING YOUR D



0.*

2,335.33

2.*

1,167.67*

753104
 230706
 75DIANA

| | | |
|---------------------|----|----------|
| Ship. &/or Handling | \$ | 0.00 |
| Subtotal | \$ | 2,180.00 |
| Taxable | | |
| \$ 2,180.00 | \$ | 155.33 |
| Total | \$ | 2,335.33 |
| VISA | \$ | 2,335.33 |
| | \$ | 0.00 |
| Balance | \$ | 0.00 |

Aug-26-02 10:53A

P.03



This is your **ACKNOWLEDGMENT**

Page: 2 of 2

Fax Number: 74-2516905
 Sales Rep: MICHELLE SHANNAN
 For Sales: (800)274-7799
 Sales Fax: (800)433-9527
 Customer Service: (800)981-3365
 Technical Support: (800)981-3355
 Dell Online: <http://www.dell.com>

Customer Number: 011230706
 Purchase Order: LEWISDIANA
 Order Date: 04/06/01

Invoice Number: **553753104**

Invoice Date: 04/06/01
 Payment Terms: VISA
 Shipped Via:
 Waybill Number: 045671104025734

B4 01 Y 01 01 N

SOLD TO:

21.1.5114 1 AB 0.278 82267\$11.XRX 2 of 2
 PAYABLE ACCOUNTS
 CITY OF TURLOCK
 STE 118
 156 SOUTH BROADWAY
 TURLOCK CA 95380-5454

SHIP TO:

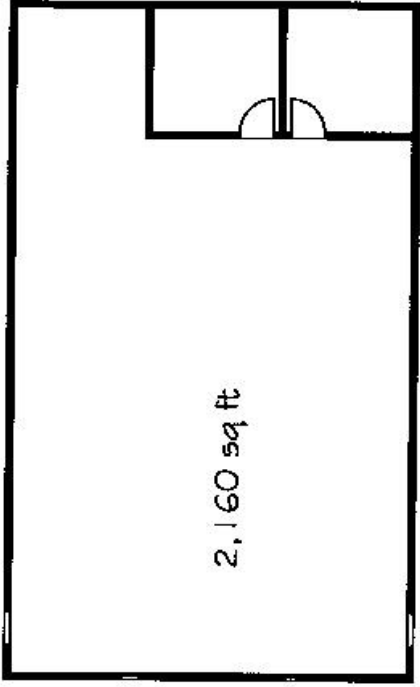
JANE MOONEYHAM
 CITY OF TURLOCK
 STE 118
 156 SOUTH BROADWAY
 TURLOCK CA 95380-5454

PLEASE SEE IMPORTANT TERMS & CONDITIONS ON THE REVERSE SIDE OF THIS INVOICE

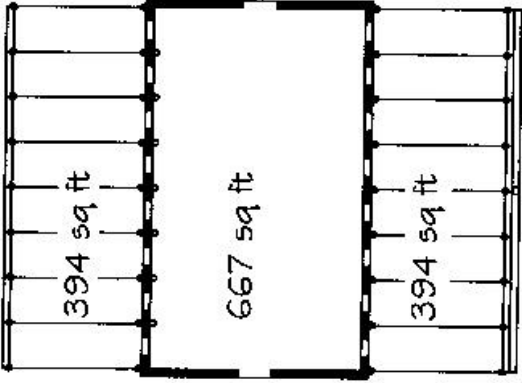
| Order | Shipped | Item Number | Description | Unit | Unit Price | Amount |
|-------|---------|---------------------|---|------|------------|--------|
| 2 | 2 | 340-3224 | 3.5,1.44MB Floppy Drive, GX100/110/115 Mid-Desktop Mini-Tower | EA | 0.00 | 0.00 |
| 2 | 2 | 420-1781 | Windows NT4 SP5,NTFS,Compact Disk,English,Optiplex | EA | 56.00 | 112.00 |
| 2 | 2 | 430-0203 | Expansion Riser For GX100/110MT System,5 PCI Slots Factory Install | EA | 0.00 | 0.00 |
| 2 | 2 | 430-3061 | Integrated 10/100 3Com Remote Wake-up NIC,Optiplex,GX200/300 | EA | 0.00 | 0.00 |
| 2 | 2 | 460-8759 | Thank you for purchasing a Dell OptiPlex from the State & Local Gov't Accounts Division! | EA | 0.00 | 0.00 |
| 2 | 2 | 460-9052 | Dell E Com will help you build Internet ideas/infrastructure see www.dell.com/us/en/gen/corporate/howeworks.htm | EA | 0.00 | 0.00 |
| 2 | 2 | 460-5160 | Required:Generated for Electronic Commerce | EA | 0.00 | 0.00 |
| 2 | 2 | 900-9967 | *Standard On-Site Installation Declined | EA | 0.00 | 0.00 |
| | | System Service Tags | 2N4XH01, 3N4XH01 | | | |

City of Turlock
SB 90 Animal Control Audit
Contract Services Formula

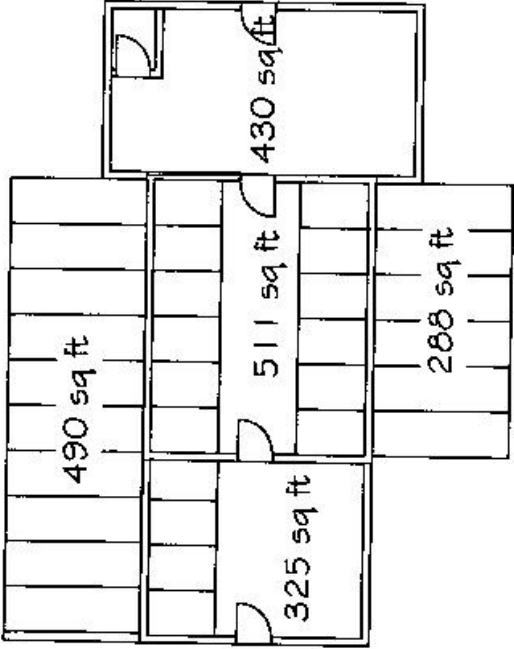
| | | <u>SCO</u> | <u>Corrected</u> |
|---|----------|------------|--------------------------------|
| 1998 square footage | A | 1,903 | 2,044 |
| 1998 total animal daily census | B | 16 | 10 |
| 1998 sq ft/daily census | C | 118.9375 | 204.4 |
| 1998 total dog/cat daily census | D | 10.7 | 8 |
| Claim year square footage | E | 4,894 | 5,659 |
| Claim year total dog/cat ADC | F | 12.27 | 12.27 |
| Claim year eligible dog/cat ADC | G | 9.61 | 9.61 |
| Claim year eligible other animal ADC | H | 0 | 0 |
| Claim year - eligible dog/cat sq ft $2/5 \times C \times F$ | I | 583.7453 | 1003.1952 |
| Reduction in eligible square footage due to decline in total population $[(F/5 - D/3) \times C \times D] / (D / 3)$ | J | -397.013 | 0 population increased (F > D) |
| Net eligible dog/cat sq ft I+J | K | 186.7319 | 1003.1952 |
| Claim year - Percent eligible dog/cat ADC G / F | L | 78% | 78% |
| Allowable dog/cat square footage K x L | M | 146.2505 | 785.7136 |
| Allowable square footage for other animals C x H | N | 0 | 0 |
| Eligible percentage of construction costs $(M + N) / (E - A)$ | P | 5% | 22% |



New office



New Kennel



Old building



ANIMAL CONTROL SITE PLAN

Total 4,894

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>